Government of Saskatchewan

Annual Report 1990 - 91

The Saskatchewan Agriculture Returns Stabilization Fund

92-03286/

To Her Honour
The Honourable Sylvia Fedoruk
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to submit the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1991.

I have the honour to be, Madam,
Your obedient servant,

Bernhard H. Wiens
Minister of Agriculture and Food

Honourable Bernhard H. Wiens
Minister of Agriculture and Food

Dear Sir:

It is my pleasure to present the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1991.

Respectfully submitted,

Stuart Kramer

Stuart Kramer
Deputy Minister of Agriculture

Annual Report of the
Saskatchewan Agricultural Returns
Stabilization Fund
1990-91

The Fund

The Saskatchewan Agricultural Returns Stabilization Fund was established pursuant to Section 5 of the Saskatchewan Agricultural Returns Stabilization Act. The Fund was established to carry out programs established under the Act.

The Fund has separate accounts for each market insurance program established pursuant to the Act. In 1990/91 the Fund had three accounts for the three market insurance plans. The accounts were:

a) the cow calf to finish account for the cow calf to finish market insurance plan;
b) the feeder finish account for the feeder finish market insurance plan; and
c) the Saskatchewan Hog Assured Returns Program account for the Saskatchewan Hog Assured Returns Program (SHARP).

Each account obtained revenue from levies assessed on eligible animals sold by participating producers. The levies paid by participating producers were matched by the Government of Saskatchewan. Whenever the plans make any payouts, they were made from the account.

When an account does not have a sufficient balance to make a payment, it can borrow money from the Consolidated Fund of the Province. The terms and conditions of these loans were determined by the Lieutenant Governor in Council.

Accounts in the Fund

1. Cow Calf to Finish Account

The Cow Calf to Finish Market Insurance Plan provided protection to producers who have a cow herd and finish their calves for slaughter. The support level was calculated on the basis of a cost of production model and included all cash costs plus 50% of non cash costs.

Enrolment was based on the cow herd with payments based on actual marketings up to a maximum of 90 per cent of the enroled cow herd. The maximum enrolment was 200 slaughter animals per operator up to a maximum of three operators per production unit.

The plan was funded by a levy on slaughter animals. The long term levy was four per cent of the value of the slaughter animal matched by the government. The plan had a levy adjustment mechanism based on interest rates and fund balances. The levy has been at six per cent since 1983 due to the large deficit.

Saskatchewan joined the national tripartite plan for beef on December 30, 1988. Coverage under the tripartite beef plan was retroactive to October 1, 1988. As a result of joining the tripartite plan, the cow calf to finish market insurance plan was phased down, terminating on March 31, 1990.

The account is being maintained to allow for the wind up of the plan. The account will be discontinued when the wind up is complete.

2. Feeder Finish Account

The Feeder Finish Market Insurance Plan provided protection to Saskatchewan residents who owned or purchased feeder cattle and finished them for slaughter. The support level was calculated on the basis of a cost of production model for a 650 lb. steer finished to 1,050 lbs. The support formula was calculated as 93 per cent of the sum of all cash and non cash costs.

The maximum enrolment was based on whether the resident is a feedlot operator or a custom feeder. The maximum number of eligible finished cattle for any resident was 5,000.

The plan was funded by a levy on slaughter animals. The long term levy was two per cent of the value of a slaughter animal matched by the Government. The plan had a levy adjustment mechanism based on interest rates and fund balances. The decision to join the National Tripartite Stabilization Plan, as described previously, resulted in this plan being phased down and terminated effective September 30, 1989.

The account is being maintained to allow for the wind up of the plan. The account will be discontinued when the wind up is complete.

3. SHARP Account

The Saskatchewan Hog Assured Returns Program provided protection to producers who finished hogs for slaughter. The support level was calculated on the basis of a cost of production model for a 65 sow farrow to finish operation. All cash costs and 75 per cent of non cash costs were included in the support formula.

Enrolment was based on the production unit which finished hogs. The maximum enrolment was 1,500 hogs per quarter per production unit.

The plan was funded by a levy on finished hogs. The long term levy was three per cent of the value of a finished hog, matched by the Government. The plan had a levy adjustment mechanism based on interest rates and fund balances. The levy for 1990-91 was 4.5 per cent.

Saskatchewan joined the National Tripartite Stabilization Plan for hogs on January 1, 1986. As a consequence of joining the national tripartite plan, the level of support offered by SHARP was reduced until the plan was terminated on March 31, 1991.

Feeder Finish Plan

Hog Plan

SHARP made payouts all four quarters of 1990/91 due to low hog prices. Payments were small due to the phase over to the National Tripartite Stabilization Plan for hogs.

	1990			1991
	Q2	Q3	Q4	Q1
Hogs in plan	162,952	155,887	156,962	158,410
Support price[1] $/ckg. dressed	170.55	170.58	165.60	162.59
Market price[1] $/ckg. dressed	167.24	165.48	148.83	145.13
Average payout[1] $/ckg. dressed	.33	.51	1.54	1.75

[1] reduced due to phase over provisions to join tripartite

Values expressed as $ per hundred kilograms.

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

FINANCIAL STATEMENTS

Year Ended March 31, 1991

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the balance sheet of the Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1991 and the statements of revenue, expenditure and fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements.

Regina, Saskatchewan
September 4, 1991 except
as to Cow Calf to Finish
Market and Feeder Finish
Market Insurance Plans which
are as of October 1, 1991

W. K. Strelioff, C.A.
Provincial Auditor

Statement 1

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND
BALANCE SHEET
As at March 31

	1991				1990
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	Total
ASSETS					
Cash	$ 288,447	$ 351,127	$ 399,007	$ 1,038,581	$ 3,152,130
Accounts receivable:					
- Department of Agriculture and Food	16,613	1,793,115	10,509,554	12,319,282	12,027,856
- Saskatchewan Pork Producers Marketing Board	33,170	---	---	33,170	199,893
- Producers	5,278	382,974	45,707	433,959	765,390
- Saskatchewan Beef Stabilization Board - producers trust account	---	(1,533)	4,390	2,857	(14,987)
- Agriculture Stabilization Board (Canada) (Note 5)	---	---	---	---	471,938
- Other	---	(42,296)	58,259	15,963	13,951
Accrued interest receivable	1,869	2,626	2,983	7,478	34,734
	$ 345,377	$ 2,486,013	$ 11,019,900	$ 13,851,290	$ 16,650,905
LIABILITIES AND FUND BALANCE					
Liabilities:					
Stabilization payable to producers	$ 325,479	$ 7,435	$ 43,207	$ 376,121	$ 1,269,361
Loans - Department of Agriculture and Food (Note 1(c))	35,089,692	48,126,214	69,996,057	153,211,963	154,622,681
Accrued interest payable	---	---	---	---	104,336
Other	---	220	3,225	3,445	33,547
Fund Balance:					
(Fund deficiency) - Statement 2 (Note 4)	(35,069,794)	(45,647,856)	(59,022,589)	(139,740,239)	(139,379,020)
	$ 345,377	$ 2,486,013	$ 11,019,900	$ 13,851,290	$ 16,650,905

(See accompanying notes to the financial statements)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE

For the Year Ended March 31

Statement 2

	1991				1990
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	Total
Revenue					
Producer contributions (Note 4)	$ 165,424	$ ---	$ ---	$ 165,424	$ 4,002,165
Department of Agriculture and Food (Note 4)	165,424	---	---	165,424	4,002,165
Producer buyouts and cancellations (Note 6)	---	91,802	66,352	158,154	---
Interest	9,580	50,789	160,730	221,099	417,939
	340,428	142,591	227,082	710,101	8,422,269
Expenditure					
Stabilization to producers (Notes 4 and 5)	1,051,541	---	---	1,051,541	17,659,182
Loan interest (Note 1(c))	14,559	---	---	14,559	6,006,127
Bad debt expense (recovery)	1,590	(1,979)	(4)	(393)	(376,356)
Other	2,853	2,642	118	5,613	6,596
	1,070,543	663	114	1,071,320	23,295,549
(Deficiency) of revenue over expenditure	(730,115)	141,928	226,968	(361,219)	(14,873,280)
Fund balance (deficiency), beginning of year	(34,339,679)	(45,789,784)	(59,249,557)	(139,379,020)	(124,505,740)
Fund balance (deficiency), end of year (Notes 4 and 5)	$(35,069,794)	$(45,647,856)	$(59,022,589)	$(139,740,239)	$(139,379,020)

(See accompanying notes to the financial statements)

Statement 3

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31

	1991	1990
Cash from (used in) operations:		
(Deficiency) of revenue over expenditure	$ (361,219)	$(14,873,280)
Net change in non-cash working capital balance	(341,612)	(16,410,968)
Cash used in operations	(702,831)	(31,284,248)
Cash provided by financing activities:		
(Decrease) increase in loans advanced from the Department of Agriculture and Food	(1,410,718)	31,942,108
Net increase (decrease) in cash during the year	(2,113,549)	657,860
Cash, beginning of year	3,152,130	2,494,270
Cash, end of year	$ 1,038,581	$ 3,152,130

(See accompanying notes to the financial statements)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1991

1. Accounting Policies

These financial statements are prepared on the accrual basis of accounting. The following are the other significant accounting policies:

a) Revenue Recognition

Producer contributions and government contributions are recognized on the basis of slaughter date.

b) Government Contributions

In accordance with Section 6(2) of The Saskatchewan Hog Assured Returns Program Regulations, 1983 and in accordance with Section 7(2) of both The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations, the Department of Agriculture and Food, from money appropriated under the Act, contributes a matching amount equal to the total of levies charged to participants.

c) Loans from the Department of Agriculture and Food

The following loans from the Department of Agriculture and Food can not be repaid from the future operations of the Saskatchewan Agricultural Returns Stabilization Fund (Fund) and as a consequence they have been fully provided for in the financial statements of the Consolidated Fund. However, to maintain accountability of the stabilization programs, and until further direction is received from the Department, these loans will continue to be reflected in these financial statements at their carrying value.

Effective October 31, 1989, the terms and conditions for the following loans were changed by Order-in-Council 298/90 to provide that no interest be charged or assessed on these loans. Accordingly, these financial statements do not reflect any interest cost subsequent to October 31, 1989.

i) Saskatchewan Hog Assured Returns Program (SHARP)

In accordance with Section 9 of The Saskatchewan Agricultural Returns Stabilization Act (Act), loans from the Department of Agriculture and Food can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 288/86 authorized loans not exceeding $35 million to be made to the SHARP account. Up to October 31, 1989 these loans bore interest at a rate calculated April 1 and October 1 each year based on the preceding six month average cost of money to the Consolidated Fund for that period.

ii) Cow Calf to Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1040/85 authorized loans not exceeding $50 million to be made to the Beef Stabilization Account. Up to October 31, 1989 these loans bore interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Consolidated Fund for each six month period. Order-in-Council 790/85 provided that no interest be charged on the first $13,127,303 of the loan.

iii) Feeder Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 713/89 authorized loans not exceeding $80 million to be made to the Beef Stabilization Account. Up to October 31, 1989 these loans bore interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period.

2. Authority

The Saskatchewan Agricultural Returns Stabilization Fund was established by The Saskatchewan Agricultural Returns Stabilization Act to carry out the following programs established by the Lieutenant Governor in Council to stabilize returns to producers:

i) Saskatchewan Hog Assured Returns Program (SHARP)

This program was established in 1976 under regulations issued pursuant to The Saskatchewan Agricultural Returns Stabilization Act. These regulations have been revoked and the program continues under The Saskatchewan Hog Assured Returns Program Regulations, 1983 (Order-in-Council 998/83) effective July 1, 1983.

ii) Cow Calf to Finish Market Insurance Plan

This Plan was established in 1982 under regulations issued pursuant to The Saskatchewan Agricultural Returns Stabilization Act. These regulations were revoked and the plan was continued under the Cow Calf to Finish Market Insurance Plan regulations authorized by Order-in-Council 457/83. Order-in-Council 309/90 terminated the Cow Calf to Finish Market Insurance Plan effective March 31, 1990.

iii) Feeder Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 456/83 pursuant to The Saskatchewan Agricultural Returns Stabilization Act. Order-in-Council 758/89 terminated the Feeder Finish Market Insurance Plan effective October 1, 1989.

3. Related Party Transactions

Administrative Expenses

The Saskatchewan Hog Assured Returns Program (SHARP) is administered by the Saskatchewan Pork Producers Marketing Board. No costs for the administration of SHARP are included in these financial statements.

The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan are administered by the Saskatchewan Beef Stabilization Board. No costs for the administration of the Cow Calf to Finish Market and Feeder Finish Market Insurance Plans are included in these financial statements.

4. Phase-out

a) Saskatchewan Hog Assured Returns Program (SHARP)

The Government of Saskatchewan has joined a national tripartite price stabilization scheme for hogs. The agreement called for a complete phase-out of SHARP over the five years commencing April 1, 1986. As a result, SHARP has been terminated effective March 31, 1991. Also, according to this agreement, SHARP quarterly stabilization payments to producers who are members of both SHARP and National Tripartite scheme are reduced by the amount of stabilization payable under the National Tripartite scheme.

b) Cow Calf to Finish Market and Feeder Finish Market Insurance Plans

The Government of Saskatchewan has joined a national tripartite price stabilization scheme for feeder calves, feeder cattle, and slaughter cattle. As a result of joining the scheme, the Cow Calf to Finish Market Insurance Plan was terminated on March 31, 1990 and the Feeder Finish Market Insurance Plan was terminated on October 1, 1989.

5. SHARP Reimbursement from Agriculture Stabilization Board (Canada) (ASB)

During 1989, the definition of a quarter for the purpose of quarterly National Tripartite Stabilization payments was changed by ASB from a calendar quarter to a thirteen consecutive week period corresponding to the Livestock Weekly schedule. This change was retroactive to January 1, 1986.

This change meant that for the 1988 calendar year SHARP stabilization payments were higher than those that would have been paid under the new definition of a quarter.

In April 1989, SHARP was able to negotiate with ASB reimbursements of extra payments the program made to participating producers in 1988. These payments totalled $471,938.

6. Producer Buyouts and Cancellations

The Cow Calf to Finish Market and Feeder Finish Market Insurance Plans allow producers to "buyout" of the plans if they meet certain criteria. In a buyout, a producer is deemed to have never been a participant in the plan. As a result, a producer who buys out of a plan owes the Saskatchewan Agricultural Returns Stabilization Fund (Fund) the excess of:

i) all stabilization payments made to the producer by the Fund, less

ii) all levies paid by the producer to the Fund.

The gain is recognized in the year in which management authorizes the buyout. If levies paid exceed stabilization payments made, no amount is owed by either the producer or the Fund.

Cancellation of stabilization payments owing to producers relating to prior years sales occur for various reasons. This includes management of the Fund cancelling stabilization payments when they are unable to contact the producer or when the producer does not provide necessary documentation or support to allow for the release of a stabilization payment.

7. Contingency

A possibility exists that the Saskatchewan Beef Stabilization Board will be named as a defendant in a law suit. The outcome of this possible law suit is not determinable at this time. Any payments arising from this possible law suit may be a charge on operations of the Saskatchewan Agricultural Returns Stabilization Fund in the year in which it is settled.